WAWATAM TOWNSHIP EMMET COUNTY, MICHIGAN

Financial Statements For the Year Ended March 31, 2004

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

	Towns		Other	Local Governme Wawatam	ent Name Township			County Emme	
Audit Date 3/31/04		Opinion D 8/31/0			Date Accountant Report Su 9/1/04	bmitted to State:		2	
We have audite accordance wit Financial Stater We affirm that:	ed the h the nents	financial stateme Statements of t for Counties and	ents of this he Govern Local Units	local unit of g mental Accou of Governmen	povernment and rende nting Standards Boar ont in Michigan by the M	red an opinio d (GASB) an lichigan Depa	n on finance nd the <i>Uni</i> rtrher p f	cial state	ements prepare
	mplie	d with the <i>Bulletin</i>	for the Au	dits of Local U	nits of Government in i	<i>Michigan</i> as re	DEP	T. OF T	7 200 <i>1</i>
2. We are cert	ified p	ublic accountants	registered	to practice in	Michigan.		~	L. 1	
We further affirm comments and r	the fo	ollowing. "Yes" re mendations	sponses ha	ave been discl	osed in the financial sta	atements, incl	udih8GAL	AUDIT &	FINANCE DIV.
You must check	the ap	plicable box for e	ach item be	elow.					
Yes N					of the local unit are ex	cluded from t	he financia	al staten	nents.
Yes V	0 2.	There are accu 275 of 1980).	mulated de	eficits in one o	or more of this unit's t	ınreserved fu	nd balance	es/retain	ed earnings (
Yes N	0 3.	There are insta	ences of no	on-compliance	with the Uniform Acc	counting and	Budgeting	Act (P.	.A. 2 of 1968
Yes V No	o 4.	The local unit leading requirements, or	has violate r an order is	ed the condition	ons of either an order ne Emergency Municip	issued unde	er the Mur	nicipal F	inance Act or
Yes V No	5.	The local unit h	olds depos	sits/investment	s which do not compl 1982, as amended [Mo	v with statute	ory require	ments. (P.A. 20 of 19
Yes 🔽 No	6.				ributing tax revenues th			other ta	ixing unit.
Yes 🗸 No	7.				ional requirement (Art rrent year. If the plan uirement, no contribution				
Yes 🗹 No	8.				s not adopted an app				
Yes 🗹 No	9.	The local unit has	s not adopte	ed an investm	ent policy as required t	by P.A. 196 of	1997 (MC	L 129.9	5).
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		and recommenda				V			. toquilou
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ertified Public Account	ant (Fin	m Name)							-
P.O. Box 996, 5		Nicolet Street		! N	City Mackinaw Ci	tv	State	ZIP	
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Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

August 31, 2004

Township Board Wawatam Township Emmet County, Michigan

I have audited the accompanying general purpose financial statements of *Wawatam Township*, *Emmet County, Michigan* as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

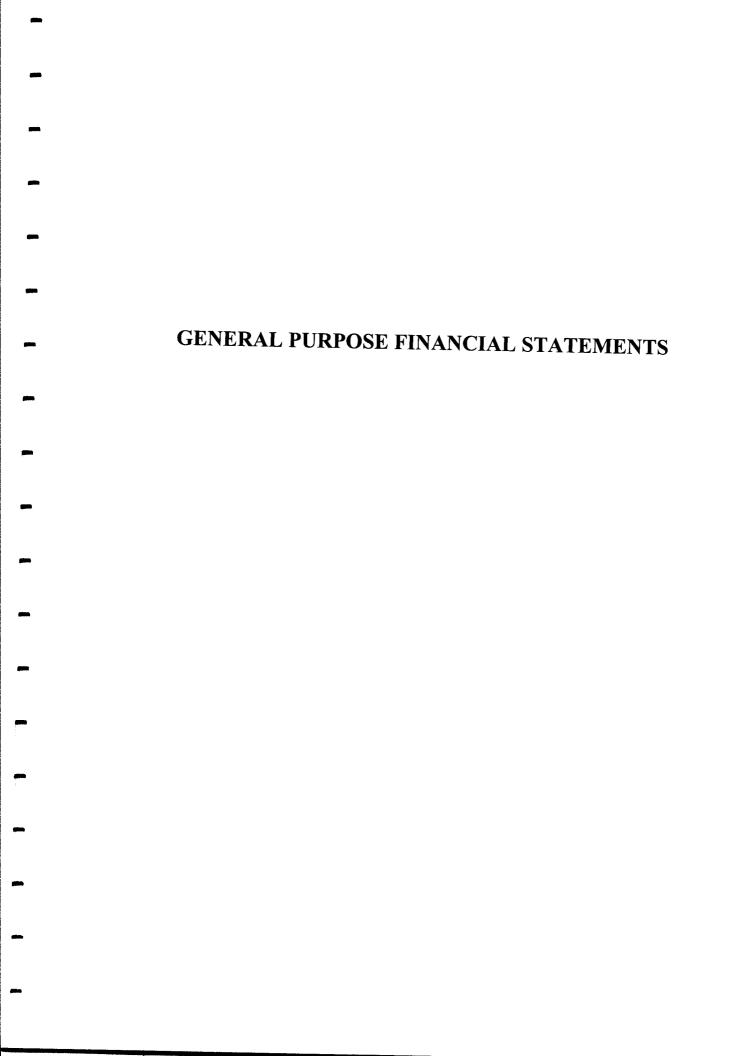
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of *Wawatam Township*, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of *Wawatam Township*. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Richard E. Mahlmeister, C.P.A.

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WAWATAM TOWNSHIP COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP MARCH 31, 2004

	GOVERNMENTAL FUN		FIDUCIARY FUND TYPE
ASSETS	GENERAL	SPECIAL REVENUE	TRUST AND AGENCY
Cash and cash equivalents	\$68,257	\$270	\$1,284
Investments	28,351	-	-
Taxes receivable	6,036	-	-
Due from other funds	1,284	•	-
General fixed assets	-	-	_
TOTAL ASSETS	\$103,928	\$270	\$1,284
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Due to other funds	<u> </u>	s -	\$1,284
TOTAL LIABILITIES	<u>-</u>	-	1,284
FUND EQUITY			
Investment in general fixed assets	-	-	-
Fund balances:			
Unreserved:			
Designated for subsequent years'			
expenditures	24,684	-	-
Undesignated	79,244	270	-
TOTAL FUND EQUITY	103,928	270	-
TOTAL LIABILITIES			
AND FUND EQUITY	\$103,928	\$270	\$1,284

See Accompanying Notes.

ACCOUNT	
GROUP	
GENERAL	TOTAL
FIXED	(MEMORANDUM
ASSETS	ONLY)
\$ -	\$69,811
-	28,351
-	6,036
-	1,284
54,383	54,383
\$54,383	\$159,865
\$ -	\$1,284
	<i>\$1,204</i>
-	1,284
54,383	54,383
-	24,684
-	79,514
54,383	158,581
\$54,383	\$159,865

WAWATAM TOWNSHIP COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED MARCH 31, 2004

REVENUES	GENERAL	SPECIAL REVENUE	TOTAL (MEMORANDUM ONLY)
Taxes			
State shared revenues	\$76,128	\$ -	\$76,128
Interest	10,995	578	11,573
Other	1,564 850	-	1,564 850
TOTAL REVENUES	89,537	578	90,115
EXPENDITURES			
Current:			
Legislative	2,047		• • • •
General government	60,489	-	2,047
Public safety	13,731	560	60,489
Public works	2,491	500	14,291
Recreation and culture	6,246	-	2,491
Capital outlay	2,025	-	6,246
Contingency and other	6	-	2,025
TOTAL EXPENDITURES	87,035	560	87,595
EXCESS (DEFICIENCY) OF REVENUES			
OVER EXPENDITURES	2,502	18	2,520
FUND BALANCES, BEGINNING OF YEAR	101,426	252	101,678
FUND BALANCES, END OF YEAR	\$103,928	\$270	\$104,198

See Accompanying Notes.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED MARCH 31, 2004

	G	ENERAL FUND	
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			-
Taxes	\$73,407	\$76,128	\$2,721
State shared revenues	8,500	10,995	2,495
Interest	1,300	1,564	264
Other	850	850	
TOTAL REVENUES	84,057	89,537	5,480
EXPENDITURES			
Current:			
Legislative	3,605	2,047	1,558
General government	72,850	60,489	12,361
Public safety	14,500	13,731	769
Public works	7,500	2,491	5,009
Recreation and culture	7,000	6,246	754
Capital outlay	2,700	2,025	675
Contingency and other	4,000	6	3,994
TOTAL EXPENDITURES	112,155	87,035	25,120
EXCESS (DEFICIENCY) OF REVENUES			
OVER EXPENDITURES	(28,098)	2,502	30,600
FUND BALANCES, BEGINNING OF YEAR	101,426	101,426	-
FUND BALANCES, END OF YEAR	\$73,328	\$103,928	\$30,600

See Accompanying Notes.

SPECIAL REVENUE FUND

BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$
578	578	
-	-	
578	578	
-	-	_
-	-	_
554	560	(6)
-	-	-
-	-	-
<u>-</u>	- -	- -
554	560	
	300	(6)
24	18	(6)
252	252	
\$276	\$270	(\$6)

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Wawatam Township, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped by type in the financial statements. The following fund types and account groups are utilized by the Township:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (CONTINUED)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The Liquor Law Enforcement Fund is the only Special Revenue Fund of the Township. Therefore, there are no combining statements presented in the accompanying supplementary combining and individual fund financial statements.

FIDUCIARY FUND

Trust and Agency Fund

The Trust and Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

ACCOUNT GROUP

General Fixed Assets

This account group presents the fixed assets of the Township utilized in its general operations (non-proprietary fixed assets).

TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental and Agency Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) as net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

BUDGETS AND BUDGETARY ACCOUNTING

Comparisons to budget are presented for General and Special Revenue Funds as required by generally accepted accounting principles. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Township Board.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

ENCUMBRANCES

The Township does not formally record encumbrances in the accounting records during the year as a normal practice. Material amounts of known commitments are sometimes recognized at the end of an accounting period to properly match the commitments with the applicable appropriation. No such commitments existed at March 31, 2004. Appropriations lapse at year-end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost and consist of certificates of deposit with maturity values greater than three months.

RECEIVABLES

Receivables are reported at gross value or net of a valuation allowance, if applicable.

DUE TO AND DUE FROM OTHER FUNDS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS

Fixed assets used in the general operation of the township are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including streets, roads and sidewalks are not capitalized.

RESERVES AND DESIGNATIONS

Reserved fund balances indicate that a portion of fund equity which has been legally separated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that a portion of fund equity which is available for budgeting in future periods.

VACATION AND SICK LEAVE

There is no accumulated vacation or sick leave to be recognized.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Appropriations are approved by the Township Board on a functional level basis for the General Fund and the fund level for the Special Revenue Funds.

During the year ended March 31, 2004, the Township incurred expenditures which exceeded the amount appropriated as follows:

<u>Fund</u>	Appropriations	Expenditures	Variance
SPECIAL REVENUE: Liquor	\$ 554	\$ 560	\$ 6

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: CASH AND CASH EQUIVALENTS

The caption on the combined balance sheet relating to cash, cash equivalents and investments represent deposits in two financial institutions located in Michigan in varying amounts as follows:

Cash and cash equivalents	\$69,811
Investments	28,351
	\$98,162

At year-end the carrying amount of the Township's deposits were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC) Uninsured – uncollateralized	\$98,162	\$102,289
	\$98,162	\$102,289

Certificates of deposit of \$28,351 with an original maturity of greater than 90 days are recorded in the financial statements as investments. All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United states, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: PROPERTY TAX REVENUE RECOGNITION

Property tax revenues for the year ended March 31, 2004, reflected in the accompanying financial statements include property taxes levied December 31, 2003. These taxes are due by February 15, 2004, and are added to the County tax rolls after February 28, 2004. The Township will receive 100% payment for the delinquent tax by June, 2004.

The taxable value of the Township totaled \$46,729,711, on which ad valorem taxes consisted of .9703 mills for the Township's operating purposes and .2619 mills for emergency services, raising \$45,328 for operating purposes and \$12,231 for emergency services.

NOTE 5: PROPERTY AND EQUIPMENT - GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

-	Balance April 1, 2003	Additions (Deletions)	Balance March 31, 2004
Land	\$2,500	\$ -	\$2.500
Township Hall and	, ,	¥ -	\$2,500
Improvements	34,659	_	34,659
Furniture and equipment	15,199	2,025	17,224
-			17,224
=	\$52,358	\$ 2,025	\$54,383

NOTE 6: INTERFUND RECEIVABLE/PAYABLE

Interfund receivables and payables at March 31, 2003 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$1,284 Trust and A	gency \$1,284
	\$1,284	\$1,284

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

NOTE 7: CONTINGENCY

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, suits, complaints and employee injuries. In the opinion of management, all such potential matters are adequately covered by insurance and would not have a significant effect on the financial position or results of operations of the Township. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.



GENERAL FUND

WAWATAM TOWNSHIP GENERAL FUND SCHEDULE OF REVENUES FOR THE YEAR ENDED MARCH 31, 2004

_	TAXES	
	Property taxes Property tax administration fee	\$57,559
-	County swamp tax	13,961
	TOTAL TAXES	4,608 76,128
	STATE SHARED REVENUES	10,995
_	INTEREST INCOME	1,564
	OTHER TOTAL PRIMITION	850
	TOTAL REVENUE	\$89,537

WAWATAM TOWNSHIP GENERAL FUND SCHEDULE OF DETAILED EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2004

	LEGISLATIVE	
	Township Board:	
_	Salaries	
	Fringe benefits	\$1,000
	Printing and publishing	79
-	Insurance	124
	Dues and subscriptions	100
	Office supplies	731
	rp	13
	TOTAL LEGISLATIVE	
		2,047
-		
	GENERAL GOVERNMENT	
	Township Supervisor:	
	Salaries	
_	Fringe benefits	4,515
	Transportation	345
	•	26
		4,886
	Elections:	
-		
		-
	Professional Services:	
	Legal	
	Accounting	12,472
		2,860
		15,332
_	Assessor:	
	Contracted services	
	Office supplies	10,815
-	Education and training	1,353
	6	150
_		12,318

WAWATAM TOWNSHIP GENERAL FUND DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

_	GENERAL GOVERNMENT (Cont'd):	
	Board of Review:	
	Salaries	***
-	Printing and publishing	\$800
	Office supplies	344
	Education and training	46
_		297
		1,487
_	Clerk:	
	Salaries	6,815
	Fringe benefits	521
	Office supplies	279
_		7,615
,	Treasurer:	
	Salaries	13,031
-	Fringe benefits	997
	Office supplies	885
	Data processing	535
-		
		15,448
-	Township Hall:	
_	Office supplies	506
	Communication	577
	Insurance	750
_	Utilities	1,385
	Contracted services	185
		3,403
	TOTAL GENERAL GOVERNMENT	60,489
_		00,489

WAWATAM TOWNSHIP GENERAL FUND DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

-	PUBLIC SAFETY	
	FUBLIC SAFETY Fire:	
_	Contracted services	\$12,231
	Police:	
_	Contracted services	1,500
	TOTAL PUBLIC SAFETY	13,731
-	PUBLIC WORKS	
	Highways and streets:	
-	Contracted services	1,511
	Sanitation:	
	Contracted services	980
	TOTAL PUBLIC WORKS	2,491
	RECREATION AND CULTURE	
	Recreation	1,000
_	Library	5,246
		6,246
	CAPITAL OUTLAY	2,025
_	OTHER	6
-	TOTAL EXPENDITURES	\$87,035

TRUST AND AGENCY FUND

WAWATAM TOWNSHIP STATEMENT OF CHANGES IN ASSETS AND LIABILITIES TRUST AND AGENCY FUND - TAX COLLECTION FUND FOR THE YEAR ENDED MARCH 31, 2003

	BALANCE APRIL 1, 2003	ADDITIONS	DELETIONS	BALANCE MARCH 31, 2004
ASSETS:				
Cash	\$766	\$1,293,136	\$1,292,618	\$1,284
LIABILITIES:				
Due to other funds	\$766	\$70,965	\$70,447	\$1,284
Due to County	-	245,205	245,205	-
Due to State	-	218,069	218,069	-
Due to Schools	-	583,209	583,209	-
Due to Intermediate School				
District	-	77,084	77,084	-
Due to Community College		98,604	98,604	-
	\$766	\$1,293,136	\$1,292,618	\$1,284

Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

August 31, 2004

Township Board Wawatam Township Emmet County, Michigan

In planning and performing my audit of the general purpose financial statements of *Wawatam Township*, *Emmet County*, *Michigan*, for the year ended March 31, 2004, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated August 31, 2004 on the financial statements of *Wawatam Township*.

Thank you for the opportunity to serve *Wawatam Township*. I appreciate the assistance I received from both the Clerk and Treasurer during my audit. Best wishes in the next year.

Sincerely,

Richard E. Mahlmeister, C.P.A.

Wawatam Township Comments & Suggestions August 31, 2004 Page 2 (two)

SEGREGATION OF DUTIES

Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect *Wawatam Township's* ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

As in the prior year, the reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Township. This condition is generally inherent in organizations the size of *Wawatam Township*, where corrective action is not practical, and is not considered to be a material weakness.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds, which exceeded the amount appropriated, as shown in the body of the financial statements.

I suggest that the Township Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary to avoid incurring expenditures in excess of appropriations.

UPCOMING FINANCIAL REPORTING CHANGES

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, the most significant change in the history of government financial reporting. These new requirements for the annual financial reports of state and local governments become effective for Wawatam Township for the year ended March 31, 2005 (next year) and may take time to implement.

As the effective date will be next audit year (March 31, 2005), I would be pleased to explain these changes and what they mean for Wawatam Township as well as assist in implementing this new standard.